



**ELIAS MOTSOLEDI LOCAL MUNICIPALITY**

(Registration number LIM 472)

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

Office of the Auditor General (Polokwane) - Auditors  
Published 31 August 2017

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## General Information

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### Legal form of entity

Elias Motsoaledi Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

### Nature of business and principal activities

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### Councillors List for the period ended 02 August 2016

#### Mayor

Cllr JL Mathebe

#### Chief Whip

Cllr TM Phahlamohlaka (Chief Whip)

#### Speaker

Cllr TS Mahlangu

#### Councillors

Cllr JL Mathebe (Mayor)  
Cllr R Alberts (Exco Member)  
Cllr TJ Lepota (Exco Member)  
Cllr NN Mahlangu (Exco Member)  
Cllr EM Masemola (Exco Member)  
Cllr GD Matjomane (Exco Member)  
Cllr FM Mogotji (Exco Member)  
Cllr MJ Mohlala (Exco Member)  
Cllr JJ Skosana (Exco Member)  
Cllr MD Tladi (Exco Member)  
Cllr MZ Buta  
Cllr NA Motong  
Cllr MT Mokganyetsi  
Cllr RSA Kabinie  
Cllr JP Kotze  
Cllr MF Madihlaba  
Cllr MM Maepa  
Cllr MK Tshoshane  
Cllr AB Mahlangu  
Cllr J Mahlangu  
Cllr MD Mahlangu  
Cllr KS Mahlase  
Cllr MN Malatji  
Cllr MS Malekane  
Cllr AM Maloba  
Cllr DS Mamaila  
Cllr MS Marapi  
Cllr MS Maselela  
Cllr HS Mashifane  
Cllr MS Mashilo  
Cllr WM Matemane  
Cllr SM Mathale  
Cllr MS Matlala  
Cllr TS Matsepe  
Cllr MP Matshipa  
Cllr ST Matsomane  
Cllr SH Mehlaphe  
Cllr CT Mhlanga  
Cllr I Mkhali  
Cllr TN Mmutle  
Cllr VV Moganedi

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Cllr MP Mokgabudi

Cllr MP Mokone

Cllr OE Motau

Cllr MG Motlape

Cllr DM Mzinyane

Cllr ME Nduli

Cllr SF Nkosi

Cllr TJ Ntuli

Cllr ML Phala

Cllr A Phatlane

Cllr RJ Podile

Cllr MF Rakoena

Cllr MW Ramphisa

Cllr SL Skosana

Cllr LH Tshoma

Cllr MS Tshoma

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

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## General Information

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### Councillors List for the period starting 03 August 2016

**Mayor**

Cllr JL Mathebe

**Chief Whip**

Cllr TM Phahlamohlaka

**Speaker**

Cllr MD Tladi

**Councillors**

Cllr JL Mathebe (Mayor)  
Cllr TM Phahlamohlaka (Chief Whip)  
Cllr MD Tladi (Speaker)  
Cllr A Phatlane (Exco Member)  
Cllr AM Maloba (Exco Member)  
Cllr GD Matjomane (Exco Member)  
Cllr JP Kotze (Exco Member)  
Cllr KC Shai (Exco Member)  
Cllr MG Phetla (Exco Member)  
Cllr MS Mashilo (Exco Member)  
Cllr TA Machipa (Exco Member)  
Cllr TN Mmutle (Exco Member)  
Cllr AM Makweoane  
Cllr B Bogopa  
Cllr BM Zulu  
Cllr CN Mathebe  
Cllr EM Maphopha  
Cllr FM Mogotji  
Cllr GM Makeke  
Cllr GR Namane  
Cllr HJ Makunyane  
Cllr J Mahlangu  
Cllr KF Madisa  
Cllr KS Kgopa  
Cllr LM Moima  
Cllr M Ranala  
Cllr MA Mphela  
Cllr MB Ntuli  
Cllr MG Motlape  
Cllr MK Mokwane  
Cllr ML Mamakoko  
Cllr ML Phala  
Cllr MM Matsepe  
Cllr MN Malatji  
Cllr MP Tshivhula  
Cllr MR Msiza  
Cllr MT Mohlala  
Cllr MT Mosotho  
Cllr MW Ramphisa  
Cllr MZ Hlathi  
Cllr NN Mahlangu  
Cllr NT Matunyane  
Cllr P Masimula  
Cllr R Alberts  
Cllr RJ Makitla  
Cllr RM Ratau  
Cllr RN Ndlovu  
Cllr SH Mehlape

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## General Information

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Cllr SM Maipushe  
Cllr SW Ratlou  
Cllr TA Phorothoe  
Cllr TM Mokganyetji  
Cllr TM Ntheko  
Cllr TS Matsepe  
Cllr TT Ratau  
Cllr VL Mthombeni  
Cllr VM Lecheko  
Cllr VP Madondo  
Cllr WJ Skhosana  
Cllr WN Oosthuizen  
Cllr Z Ngwenya

**Accounting Officer**

Mrs RM Maredi

**Business address**

2nd Grobler Avenue - Civic Centre  
Groblerdal  
0470

**Postal address**

PO Box 48  
Groblerdal  
0470

**Bankers**

Nedbank

**Auditors**

Office of the Auditor General (Polokwane)

**Grading of the Municipality**

Grade 3

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### Abbreviations

GRAP	Generally Recognised Accounting Practice
PAYE	Pay As You Earn
IAS	International Accounting Standards
INEP	Integrated National Electrification Programme
EPWP	Expanded Public works programme
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grants

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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## Accounting Officer's Responsibilities and Approval

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Mrs RM Maredi  
Municipal Manager

Thursday, 31 August 2017

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2017.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 ordinary and 4 special meetings were held.

Audit committee members	Number of meetings attended
Mrs M.P Ramutsheli (Chairperson)	4 Normal - 4 Special - 8 Total
Mr V.K Chuene	4 Normal - 4 Special - 8 Total
Mr M.O Mojapelo	4 Normal - 4 Special - 8 Total
Mr M.M Thipe	4 Normal - 4 Special - 8 Total
Mr M.G Mathabathe	3 Normal - 4 Special - 7 Total

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter.

It has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The content and the quality of the yearly management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act have been reviewed by the audit committee.

The internal control environment was partially effective.

The Audit Committee is satisfied with Management's action to address deficiencies identified.

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.
- reviewed the performance of the institution.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Audit Committee Report

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### Internal audit

The Audit Committee engaged and supported management team during the review of performance management information.

The municipality's Operating, Compliance, Performance and Risk Management controls are assessed by the internal audit function which is overseen by Audit and Risk committee.

For the year under review the Internal Audit performed their responsibility in terms of the approved internal audit plan and reported their findings on regular basis to the Audit and Risk committee and management for implementation.

In the quest for maintaining a sound control environment, the audit committee continues to build the necessary capacity within the municipality.

### Risk management

Every year the Council reviews the critical strategy risks facing the municipality and approves the municipality's risk approach.

The identification and assessment of those risks are informed amongst other things, by and understanding of our operational model including trends and interests of relevant stakeholders. The audit and risk committee has overseen the process of developing risk strategy, risk register including mitigating factors for consideration by council.

The risk assessment was conducted quarterly during the year under review. The municipality had a full time Chief Risk Officer during the financial year.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee : Mrs M.P Ramutsheli**

**Date:** \_\_\_\_\_

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2017.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the municipality.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and fully elaborated in the Statement of Comparison of Budget and Actual Amounts.

Net deficit of the municipality was R 36 060 149 (2016: surplus R 40 207 860).

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period which resulted in an adjusting subsequent event.

The following non-adjusting subsequent event was noted after the reporting period:

A claim from Le Roux Inc dated 03 July 2017 on behalf of Koebill (Pty) Ltd for the transfer of property bought from the Municipality at an auction on 17 September 2014. The company is claiming for all damages suffered due to the failure to transfer the ownership to them.

### 4. Accounting Officer's interest in contracts

The accounting officers' declare not to have any interest in contracts of the Municipality.

### 5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year is set out in the notes to the financial statements.

### 7. Accounting Officer

The Accounting Officer of the municipality during the financial year and to the date of this report is as follows:

Name	Nationality
Mrs RM Maredi	South African

### 8. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### Councillors

The councillors:

- retains full control over the municipality, its plans and strategy;

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Officer's Report

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- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive committee councillors, and
  - Councillors.

### Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities.

### Audit committee

The audit committee met during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipal entity onto the audit committee.

### Internal audit

The municipality had four full time internal auditors for the year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

### 9. Bankers

The municipality banks primarily with Nedbank.

### 10. Auditors

The Office of the Auditor General (Polokwane) will continue in office for the next financial period.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position

Figures in Rand	Note(s)	2017	2016 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	3 202 151	3 397 502
Receivables from exchange transactions	10	1 544 578	3 598 008
Receivables from non-exchange transactions	11	19 547 729	3 990 888
VAT receivable	12	21 742 970	11 514 853
Consumer debtors	13	20 636 049	34 981 906
Cash and cash equivalents	14	20 944 077	11 965 225
		<b>87 617 554</b>	<b>69 448 382</b>
<b>Non-Current Assets</b>			
Investment property	3	55 728 304	96 139 347
Property Plant and Equipment	4	938 355 745	929 085 799
Heritage Assets	5	463 363	463 463
Intangible assets	6	290 674	496 001
Deposit (Security held in advance)	8	11 932 253	11 403 658
		<b>1 006 770 339</b>	<b>1 037 588 268</b>
<b>Total Assets</b>		<b>1 094 387 893</b>	<b>1 107 036 650</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Deferred income	17	192 982	192 982
Finance lease obligation	15	6 899 877	8 169 707
Landfill Site Provision	18	2 947 231	930 456
Payables from exchange transactions	19	65 095 088	53 061 164
Consumer deposits	20	5 633 383	5 612 611
Employee benefit obligation	7	1 622 867	1 241 088
Unspent conditional grants and receipts	16	16 955 569	1 574 723
Provisions	18	333 471	533 048
		<b>99 680 468</b>	<b>71 315 779</b>
<b>Non-Current Liabilities</b>			
Deferred income	17	3 859 649	4 052 632
Finance lease obligation	15	-	6 899 877
Landfill Site Provision	18	44 516 214	45 592 332
Employee benefit obligation	7	37 217 238	34 243 239
Provisions	18	4 218 110	3 976 430
		<b>89 811 211</b>	<b>94 764 510</b>
<b>Total Liabilities</b>		<b>189 491 679</b>	<b>166 080 289</b>
<b>Net Assets</b>		<b>904 896 214</b>	<b>940 956 361</b>
<b>Net Assets</b>			
Accumulated surplus		904 896 214	940 956 361

\* See Note 41

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest received	24	9 358 203	10 162 645
Licences and permits	21	5 255 414	4 256 501
Other income	23	6 976 694	745 883
Recoveries	23	1 121 410	855 425
Rental of facilities and equipment	35	1 318 716	1 412 843
Service charges	22	77 250 735	69 587 523
<b>Total revenue from exchange transactions</b>		<b>101 281 172</b>	<b>87 020 820</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	25 814 661	28 280 202
<b>Transfer revenue</b>			
Government grants & subsidies	27	282 035 154	293 840 422
Fines, Penalties and Forfeits	21	50 884 525	2 412 594
<b>Total revenue from non-exchange transactions</b>		<b>358 734 340</b>	<b>324 533 218</b>
<b>Total revenue</b>	21	<b>460 015 512</b>	<b>411 554 038</b>
<b>Expenditure</b>			
Administration		(186 673)	(958 595)
Bulk purchases	32	(65 729 402)	(60 439 478)
Debt Impairment	31	(21 128 019)	(8 130 056)
Depreciation and amortisation	4&5&6	(47 997 651)	(53 859 408)
Employee related costs	28	(117 780 736)	(108 305 606)
Finance costs	30	(1 426 148)	(2 268 424)
General Expenses	33	(152 927 587)	(92 166 830)
Impairment loss/ Reversal of impairments	36	(4 041 316)	(402 926)
Lease rentals on operating lease	36	(7 630 970)	(8 375 807)
Remuneration of councillors	29	(20 297 858)	(19 060 569)
Repairs and maintenance		(12 873 172)	(10 048 875)
Transfers and Subsidies	26	(707 968)	(313 378)
<b>Total expenditure</b>		<b>(452 727 500)</b>	<b>(364 329 952)</b>
<b>Operating surplus/(deficit)</b>	36	<b>7 288 012</b>	<b>47 224 086</b>
Additional service cost landfill rehabilitation	18	(10 202)	(3 885 575)
Fair value adjustments - actuarial gains/(losses)	7&18	433 499	(2 012 059)
Investment property fair value adjustment	3	(40 411 043)	2 671 345
Loss on disposal of assets	4	(3 360 415)	(3 789 937)
		<b>(43 348 161)</b>	<b>(7 016 226)</b>
<b>Surplus/(deficit) for the year</b>		<b>(36 060 149)</b>	<b>40 207 860</b>

\* See Note 41

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	832 921 123	832 921 123
Adjustments		
Prior year adjustments (refer Note 41)	67 827 378	67 827 378
<b>Balance at 01 July 2015 as restated</b>	<b>900 748 501</b>	<b>900 748 501</b>
Changes in net assets		
Surplus for the year	40 207 860	40 207 860
Total changes	40 207 860	40 207 860
Opening balance as previously reported	872 287 508	872 287 508
Adjustments		
Correction of errors (refer note 41)	68 668 855	68 668 855
<b>Balance at 01 July 2016 as restated</b>	<b>940 956 363</b>	<b>940 956 363</b>
Changes in net assets		
Surplus for the year	(36 060 149)	(36 060 149)
Total changes	(36 060 149)	(36 060 149)
<b>Balance at 30 June 2017</b>	<b>904 896 214</b>	<b>904 896 214</b>
Note(s)	41	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fines		2 718 886	1 155 098
Sale of goods and services		100 255 312	102 074 489
Grants		282 035 154	293 840 422
Interest		9 358 204	10 162 645
Other receipts		9 223 836	3 014 151
Licences and Permits		5 255 414	4 256 501
		<b>408 846 806</b>	<b>414 503 306</b>
<b>Payments</b>			
Employee costs		(134 680 713)	(122 210 092)
Suppliers		(174 398 107)	(187 284 365)
Finance cost		(1 426 149)	(2 268 420)
		<b>(310 504 969)</b>	<b>(311 762 877)</b>
<b>Net cash flows from operating activities</b>	<b>37</b>	<b>98 341 837</b>	<b>102 740 429</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	4	(80 664 683)	(108 388 066)
Proceeds from sale of property plant and equipment	4	-	654 036
Purchase of Intangible assets		-	(173 684)
Increase in Deposit (Security held in advance)		(528 595)	(753 397)
<b>Net cash flows from investing activities</b>		<b>(81 193 278)</b>	<b>(108 661 111)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(8 169 707)	(7 271 813)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8 978 852</b>	<b>(13 192 495)</b>
Cash and cash equivalents at the beginning of the year		11 965 225	25 157 720
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>20 944 077</b>	<b>11 965 225</b>

\* See Note 41

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	81 101 633	(2 141 423)	<b>78 960 210</b>	77 250 735	<b>(1 709 475)</b>	1
Rental of facilities and equipment	912 129	1 500 000	<b>2 412 129</b>	1 318 716	<b>(1 093 413)</b>	2
Licences and permits	5 059 764	(200 000)	<b>4 859 764</b>	5 255 414	<b>395 650</b>	3
Recoveries	-	-	-	1 121 410	<b>1 121 410</b>	3.1
Other income	2 151 924	(953 098)	<b>1 198 826</b>	6 976 694	<b>5 777 868</b>	4
Interest earned	9 952 066	350 000	<b>10 302 066</b>	9 358 203	<b>(943 863)</b>	5
<b>Total revenue from exchange transactions</b>	<b>99 177 516</b>	<b>(1 444 521)</b>	<b>97 732 995</b>	<b>101 281 172</b>	<b>3 548 177</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	23 981 147	(201 369)	<b>23 779 778</b>	25 814 661	<b>2 034 883</b>	6
<b>Transfer revenue</b>						
Government grants & subsidies	288 524 000	10 000 000	<b>298 524 000</b>	282 035 154	<b>(16 488 846)</b>	7
Fines, Penalties and Forfeits	1 341 847	5 658 153	<b>7 000 000</b>	50 884 525	<b>43 884 525</b>	8
<b>Total revenue from non-exchange transactions</b>	<b>313 846 994</b>	<b>15 456 784</b>	<b>329 303 778</b>	<b>358 734 340</b>	<b>29 430 562</b>	
<b>Total revenue</b>	<b>413 024 510</b>	<b>14 012 263</b>	<b>427 036 773</b>	<b>460 015 512</b>	<b>32 978 739</b>	
<b>Expenditure</b>						
Personnel	(109 053 195)	(3 443 080)	<b>(112 496 275)</b>	(117 780 736)	<b>(5 284 461)</b>	9
Remuneration of councillors	(18 908 378)	(1 383 648)	<b>(20 292 026)</b>	(20 297 858)	<b>(5 832)</b>	10
Administration	-	-	-	(186 673)	<b>(186 673)</b>	11
Depreciation and amortisation	(35 796 473)	(14 203 526)	<b>(49 999 999)</b>	(47 997 651)	<b>2 002 348</b>	12
Impairment loss/ Reversal of impairments	-	-	-	(4 041 316)	<b>(4 041 316)</b>	12.1
Finance costs	(60 000)	(2 700 000)	<b>(2 760 000)</b>	(1 426 148)	<b>1 333 852</b>	13
Lease rentals on operating lease	-	-	-	(7 630 970)	<b>(7 630 970)</b>	14



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Debt Impairment	(12 687 580)	2 000 000	<b>(10 687 580)</b>	(21 128 019)	<b>(10 440 439)</b>	15
Repairs and maintenance	(3 945 000)	(6 553 066)	<b>(10 498 066)</b>	(12 873 172)	<b>(2 375 106)</b>	16
Bulk purchases	(64 960 810)	2 055 290	<b>(62 905 520)</b>	(65 729 402)	<b>(2 823 882)</b>	17
Transfers and Subsidies	(2 128 000)	(120 000)	<b>(2 248 000)</b>	(707 968)	<b>1 540 032</b>	18
General Expenses	(81 375 593)	(15 098 136)	<b>(96 473 729)</b>	(152 927 587)	<b>(56 453 858)</b>	19
<b>Total expenditure</b>	<b>(328 915 029)</b>	<b>(39 446 166)</b>	<b>(368 361 195)</b>	<b>(452 727 500)</b>	<b>(84 366 305)</b>	
<b>Operating surplus</b>	<b>84 109 481</b>	<b>(25 433 903)</b>	<b>58 675 578</b>	<b>7 288 012</b>	<b>65 963 590</b>	
Loss on disposal of assets and liabilities	-	-	-	(3 360 415)	<b>(3 360 415)</b>	19.1
Additional contribution landfill rehabilitation	-	-	-	(10 202)	<b>(10 202)</b>	19.1
Fair value adjustments	-	-	-	433 499	<b>433 499</b>	19.1
Investment property fair value adjustment	-	-	-	(40 411 043)	<b>(40 411 043)</b>	19.1
	-	-	-	<b>(43 348 161)</b>	<b>(43 348 161)</b>	
<b>Surplus/(Deficit) before taxation</b>	<b>84 109 481</b>	<b>(25 433 903)</b>	<b>58 675 578</b>	<b>(36 060 149)</b>	<b>(94 735 727)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>84 109 481</b>	<b>(25 433 903)</b>	<b>58 675 578</b>	<b>(36 060 149)</b>	<b>(94 735 727)</b>	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	3 000 000	(14 000)	<b>2 986 000</b>	3 202 151	<b>216 151</b>	20
Receivables from exchange transactions	13 854 663	13 100 000	<b>26 954 663</b>	1 544 578	<b>(25 410 085)</b>	21
Receivables from non-exchange transactions	-	-	-	19 547 729	<b>19 547 729</b>	22
VAT receivable	-	-	-	21 742 970	<b>21 742 970</b>	23
Consumer debtors	18 947 246	13 135 000	<b>32 082 246</b>	20 636 049	<b>(11 446 197)</b>	24
Cash and cash equivalents	36 615 867	(10 952 496)	<b>25 663 371</b>	20 944 077	<b>(4 719 294)</b>	25
	<b>72 417 776</b>	<b>15 268 504</b>	<b>87 686 280</b>	<b>87 617 554</b>	<b>(68 726)</b>	

##### Non-Current Assets

Investment property	89 472 000	3 996 001	<b>93 468 001</b>	55 728 304	<b>(37 739 697)</b>	26
Property Plant and Equipment	891 662 963	42 753 991	<b>934 416 954</b>	938 355 745	<b>3 938 791</b>	27
Heritage Assets	-	-	-	463 363	<b>463 363</b>	28
Intangible assets	640 009	(461 700)	<b>178 309</b>	290 674	<b>112 365</b>	29
Deposit (Security held in advance)	11 697 891	362 871	<b>12 060 762</b>	11 932 253	<b>(128 509)</b>	30
Long term lease Debtor - restated	-	-	-	-	-	
	<b>993 472 863</b>	<b>46 651 163</b>	<b>1 040 124 026</b>	<b>1 006 770 339</b>	<b>(33 353 687)</b>	

#### Total Assets

<b>1 065 890 639</b>	<b>61 919 667</b>	<b>1 127 810 306</b>	<b>1 094 387 893</b>	<b>(33 422 413)</b>	
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#### Liabilities

##### Current Liabilities

Deferred income	-	-	-	192 982	<b>192 982</b>	31
Finance lease obligation	-	10 100 000	<b>10 100 000</b>	6 899 877	<b>(3 200 123)</b>	32
Landfill Rehabilitation Provision	-	-	-	2 947 231	<b>2 947 231</b>	33
Payables from exchange transactions	25 000 473	37 252 527	<b>62 253 000</b>	65 095 087	<b>2 842 087</b>	33.1
Consumer deposits	5 443 954	456 046	<b>5 900 000</b>	5 633 383	<b>(266 617)</b>	34
Employee benefit obligation	-	-	-	1 622 867	<b>1 622 867</b>	35

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Unspent conditional grants and receipts	-	-	-	16 955 569	<b>16 955 569</b>	36
Provisions	1 451 524	-	<b>1 451 524</b>	333 471	<b>(1 118 053)</b>	37
	<b>31 895 951</b>	<b>47 808 573</b>	<b>79 704 524</b>	<b>99 680 467</b>	<b>19 975 943</b>	
<b>Non-Current Liabilities</b>						
Deferred income	-	-	-	3 859 649	<b>3 859 649</b>	38
Finance lease obligation	6 263 967	(6 263 967)	-	-	-	39
Landfill Site Rehabilitation provision	-	-	-	44 516 214	<b>44 516 214</b>	40
Employee benefit obligation	-	-	-	37 217 238	<b>37 217 238</b>	40
Provisions	84 249 344	935 686	<b>85 185 030</b>	4 218 110	<b>(80 966 920)</b>	40
	<b>90 513 311</b>	<b>(5 328 281)</b>	<b>85 185 030</b>	<b>89 811 211</b>	<b>4 626 181</b>	
<b>Total Liabilities</b>	<b>122 409 262</b>	<b>42 480 292</b>	<b>164 889 554</b>	<b>189 491 678</b>	<b>24 602 124</b>	
<b>Net Assets</b>	<b>943 481 377</b>	<b>19 439 375</b>	<b>962 920 752</b>	<b>904 896 215</b>	<b>(58 024 537)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	943 481 377	19 439 375	<b>962 920 752</b>	904 896 215	<b>(58 024 537)</b>	41

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Bu
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Figures in Rand

### Budget and Actual Amounts variance explanation

1. Variance as a result of slight reduction in consumption of the municipal service charge than anticipated in budgeted compilation.
2. The rate at which the stadium was rented was lower than the projected rate.
3. The variance is positively correlated to the general increase in new and second hand cars during the year. The increase was more than anticipated at budget process.
- 3.1 The incident that led to recoveries was not known when both original and adjusted budget were approved and as a result, there was no budget provision for this line item.
4. Increase is due to retention's that were written off during the year, this was not anticipated at the budget process due to the transaction being non-recurring.
5. The reduction in interest is mainly due to a lower investment balance during the year compared to previous year resulting in less interest earned on investments.
6. The variance is due to the increase in revenue forgone to indigent users resulting in slightly less net revenue from property rates.
7. The variance is attributed to unspent conditional grants
8. The variance is attributed to procurement of speed cameras that resulted in significant increase in the traffic fines.
9. Excess due to remuneration of Ward committee members budgeted under general expenses
10. The variance is due to salaries adjustment from grade 3 upper limits to those of grade 4
11. Administration is budgeted under general expenses.
12. Variance due to revised useful lives of assets in terms of GRAP 17.
- 12.1 The impair loss was not budgeted for since during budget preparation stage there was no expectation that there will be impairment loss or reversal..
13. The budget was overstated to cover the increase in repo rate and possible new lease contracts that did not materialise during the year.
14. The operating lease was budgeted under general expenses.
15. The increase in debt impairment is attributed to increased revenue for traffic fines emanating from the speed cameras.
16. Increased due to unexpected repairs and maintenance to municipal assets.
17. The actual expenditure was adjusted to match the demand and consumption of electricity.
18. The budget figure was made up of external bursaries, free basic electricity and Council contribution on medical aid for pensioner, yet the actual expenditure only relate to free basic electricity .
19. The actual expenditure include bad debts written off and landfill – additional interest that were not taken into account in the approved budget. In addition, the overspending was mainly on contracted services
- 19.1 The gain/(loss) on disposal of assets is a non-recurring transaction, and the municipality did not have plans in place to dispose assets at the time of finalizing the budget for approval.
20. The variance is attributed to increased number of store items on hand at year end
21. Budget is includes allocation for receivables from non-exchange transactions
22. Budget is allocated under receivables from exchange transactions
23. Budget is allocated under other debtors
24. The variance as a result of bad debts written off during the year as approved by Council.
25. The variance is a result of the municipality early payment of creditors.
26. The variance is caused by fair value adjustment that was reclassified after approval of the budget
27. Variance due to new found assets during the year.
28. The projected amortisation for Intangible asset was more than the actual amortisation
29. Variance due to additions during the year.
30. The variance is due to less interest earned on movements in Eskom deposits held as a security.
31. The budget allocation has been made under trade and other payables
32. The budget included provision for leasing of additional vehicles that were procured under operating lease as opposed to finance lease
33. The budget allocation has been made under current provision
- 33.1 The variance is attributed to early payment of creditors before year end.
34. The consumer deposit figure at year end is lower than it was projected due to deposit refunded to consumers
35. The budget allocation for the year has been made under current provision
36. The variance relates to the unspent conditional grants which was not anticipated on budget compilation.
37. The actuarial valuation of the obligation was more than the estimated amount.s.
38. In terms of National Treasury schedules or template the budget for this line item is included in trade and other payables.
39. There is no longer any non current finance lease obligations due to lease period coming to an end within the next 12 months.
40. The actuarial valuation of the obligation was less than the estimated amount.
41. The variance is attributed to the bad debts written off and debt impairment resulting in reduced surplus for the year.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. In situations where the application of GRAP is not practicable, the International Accounting Standards will apply.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Useful lives and residual values of property plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimation should be based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate

##### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio risk basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

#### Provision for landfill sites

The provision for rehabilitation site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the related asset are charged to the Statement of Financial Performance.

Provision of rehabilitation of landfill site is determined by :

- Calculating the cost of rehabilitation of landfill sites and assessing the useful life of each land fill site as done by an Actuary/Specialist
- The effect of time value of money is calculated using interest rates (investment rate) linked to the prime rate.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be measurable when construction is complete. It measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

#### 1.5 Property Plant and Equipment

Property Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property Plant and Equipment is initially measured at cost.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

The cost of an item of property plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property plant and equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years
Plant and machinery	5 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	3 - 20 years
Office equipment	3 - 5 years
IT equipment	3 - 6 years
Infrastructure	5 - 30 years
Other property, plant and equipment	5 - 30 years
Other equipment	5- 25 years
Specialised vehicles	10 years
Tools and loose gear	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

The depreciation charge for each period is recognised on the straight line basis in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

#### 1.6 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer Software	3-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

#### 1.7 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a heritage asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of the heritage asset's net selling price and its value in use.

Value in use of the heritage asset is the present value of the asset's remaining service potential.

### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts.

There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposits	Financial asset measured at amortised cost
Investments - Call accounts	Financial asset measured at cost
Consumer Debtors	Financial asset measured at amortised cost
VAT	Financial asset measured at cost
Sundry debtors	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposits	Financial liability measured at amortised cost
Trade Payables	Financial asset measured at cost
Accruals	Financial asset measured at cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

#### 1.9 Statutory receivables

##### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

##### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

##### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

##### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

##### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

#### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

##### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

##### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

##### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### 1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

- Buildings (Public buildings)
- Infrastructure (Roads)
- Stormwater

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction / (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### 1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### 1.15 Provisions and Contingent Liabilities

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

#### 1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued.

The amount due by a particular offender is specified on the notice, summons or equivalent document. The municipality issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken.

Fines reductions are not within the Elias Motsoaledi Municipality's discretion, they are subject to a further judicial process which is outside the municipality's control, then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information.

The municipality is able to reliably measure the fair value of fines issued. The value of the fine that can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued. In these instances, the asset (receivable) can be measured reliably.

The basis of a receivables provision for fines outstanding as at year end in Elias Motsoaledi Municipality is based on a percentage of fines settled which already has accounted for the discretion applied by the court to reduce or withdraw fines requested for review by public members divided by the total fines issued for the current year.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

#### Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- Internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised on receipt probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period., such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

### Commitments

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

If the municipality enters into any significant contractual commitments that will result in the outflow of financial resources after the balance sheet date, it must be disclosed in the notes to the annual financial statements as a non-adjusting event.

Commitments include:

- Capital commitments (to acquire PPE and intangible assets)
- Lease commitments
- Other financial commitments

The value of the planned outflow of financial resources shall be disclosed per category of commitments

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

### Property rates - revenue

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

### Other grants and donations

Other grants and donations are recognised as revenue when:

- > it is probably that the economic benefits or service potential associated with the transaction will flow to the municipality;
- > the amount of the revenue can be measured reliably; and
- > to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

- > to the extent that there has been compliance with any restrictions associated with the grant.

### 1.19 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### 1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### 1.21 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

#### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.26 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

#### 1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Grants are included in Non exchange transactions revenue.

#### 1.28 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not compiled on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not compiled on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

Comparative information is not required.

#### 1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### 1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### 1.31 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un-utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 16 (as amended 2015): Investment Property**

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has adopted the standard for the first time in the 2017 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

##### **GRAP 17 (as amended 2015): Property, Plant and Equipment**

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has adopted the standard for the first time in the 2017 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 3. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	55 728 304	-	55 728 304	96 139 347	-	96 139 347

#### Reconciliation of investment property - June 2017

	Opening balance	Fair value adjustments	Total
Land and Buildings	96 139 347	(40 411 043)	55 728 304

#### Reconciliation of investment property - June 2016

	Opening balance	Fair value adjustments	Total
Investment property	93 468 002	2 671 345	96 139 347

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. None of the assets of the Municipality has been pledged as security for any purposes.

The valuation of the Investment properties was performed by an independent valuator, Pierre Rynners valuers. Sales research was conducted for property transactions taking place in the period starting July 2015 to June 2017. Year-on-year increases were calculated based on the average sales data collected for each township within the larger municipal area. The property market in the greater Elias Motsoaledi area was very quiet, overall little if any increases took place.

### 4. Property Plant and Equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	181 738 948	(9 026 900)	172 712 048	181 779 048	(9 026 900)	172 752 148
Buildings	67 817 421	(27 343 077)	40 474 344	60 576 651	(23 792 835)	36 783 816
Leased assets capitalised	21 083 725	(4 112 588)	16 971 137	21 083 725	(2 285 466)	18 798 259
Infrastructure	897 130 567	(297 646 448)	599 484 119	821 582 213	(264 200 956)	557 381 257
Community	59 503 580	(22 288 160)	37 215 420	57 937 690	(14 733 843)	43 203 847
Other property, plant and equipment	74 388 803	(49 979 441)	24 409 362	93 224 544	(61 327 301)	31 897 243
Capital - Work in Progress	47 089 315	-	47 089 315	68 269 229	-	68 269 229
<b>Total</b>	<b>1 348 752 359</b>	<b>(410 396 614)</b>	<b>938 355 745</b>	<b>1 304 453 100</b>	<b>(375 367 301)</b>	<b>929 085 799</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### Reconciliation of property plant and equipment - June 2017

	Opening balance	Additions	Disposals	Transfers received	Donations	Depreciation	Impairment loss	Total
Land	172 752 148	-	(40 100)	-	-	-	-	172 712 048
Buildings	36 783 816	-	-	6 696 064	-	(2 977 542)	(27 994)	40 474 344
Leased assets capitalised	18 798 259	-	-	-	-	(1 827 122)	-	16 971 137
Infrastructure	557 381 257	-	-	76 655 146	-	(34 551 908)	(376)	599 484 119
Community	43 203 847	-	-	-	-	(2 057 200)	(3 931 227)	37 215 420
Other property, plant and equipment	31 897 243	2 292 609	(3 320 215)	-	-	(6 378 554)	(81 721)	24 409 362
Capital - Work in Progress	68 269 229	78 372 074	-	(83 351 210)	(16 200 778)	-	-	47 089 315
	<b>929 085 799</b>	<b>80 664 683</b>	<b>(3 360 315)</b>	<b>-</b>	<b>(16 200 778)</b>	<b>(47 792 326)</b>	<b>(4 041 318)</b>	<b>938 355 745</b>

### Reconciliation of property plant and equipment - June 2016

	Opening balance	Additions	Disposals	Transfers	Derecognised	Depreciation	Impairment loss	Total
Land	172 752 148	-	-	-	-	-	-	172 752 148
Buildings	39 948 605	-	-	-	-	(3 164 789)	-	36 783 816
Leased assets capitalised	20 626 631	-	-	-	-	(1 828 372)	-	18 798 259
Infrastructure	517 175 466	-	-	77 168 348	-	(36 714 110)	(248 447)	557 381 257
Community	45 731 569	-	-	-	-	(2 373 244)	(154 478)	43 203 847
Other property, plant and equipment	39 200 529	6 602 629	(4 443 973)	-	-	(9 461 942)	-	31 897 243
Capital - Work in Progress	44 537 717	101 785 438	-	(77 168 348)	(885 578)	-	-	68 269 229
	<b>879 972 665</b>	<b>108 388 067</b>	<b>(4 443 973)</b>	<b>-</b>	<b>(885 578)</b>	<b>(53 542 457)</b>	<b>(402 925)</b>	<b>929 085 799</b>

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. None of the assets of the Municipality has been pledged as security for any purposes.

Certain assets were impaired during the year, based on physical verification that were performed during the 2017 financial year. The fair value less costs to sell method was used.

The impairment review was limited to review of the possible "Physical impairment" of the assets. This impairment review is therefore directly linked to the high-level condition assessment carried out on the assets that have been physically verified. Impairment was raised in cases where the carrying amount at yearend (Including accumulated impairment in prior years but before current year impairment losses) exceeded the recoverable service amount calculated. The additional impairment will be equal to the difference between the carrying value and the recoverable service amount.

Once the condition of an asset is determined the condition rating is applied in order to ensure that the value of the asset is correctly reflected, this is done by reducing the carrying value of the asset based on its condition, as per the table below:

Description	Rating
Very Good	95%
Good	70%
Fair	45%
Poor	25%
Very Poor	10%
Broken	0%

During the 2017 financial year the Tafelkop Sport stadium was impaired with R3 931 227 due to it being vandalised.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 5. Heritage Assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Heritage Assets	463 363	-	463 363	463 463	-	463 463

#### Reconciliation of heritage assets - June 2017

	Opening balance	Disposals	Total
Heritage Assets	463 463	(100)	463 363

#### Reconciliation of heritage assets - June 2016

	Opening balance	Disposals	Total
Heritage Assets	463 463	-	463 463

### 6. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 554 591	(1 263 917)	290 674	1 554 591	(1 058 590)	496 001

#### Reconciliation of intangible assets - June 2017

	Opening balance	Additions	Amortisation	Total
Computer software	496 001	-	(205 327)	290 674

#### Reconciliation of intangible assets - June 2016

	Opening balance	Additions	Amortisation	Total
Computer software	640 009	173 684	(317 692)	496 001

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the Post Employment Medical Health Care obligation -	(35 484 327)	(30 763 711)
Opening balance		
Interest charge	(3 143 476)	(2 680 553)
Net actuarial gains or losses recognised	155 761	(1 427 756)
Current Service Cost	(1 410 336)	(1 556 236)
Benefits paid out of the fund	1 042 273	943 929
	<b>(38 840 105)</b>	<b>(35 484 327)</b>
Non-current liabilities	(37 217 238)	(34 243 239)
Current liabilities	(1 622 867)	(1 241 088)
	<b>(38 840 105)</b>	<b>(35 484 327)</b>

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	35 484 327	30 763 711
Net expense recognised in the statement of financial performance	3 355 778	4 720 616
	<b>38 840 105</b>	<b>35 484 327</b>

Net expense recognised in the statement of financial performance

Current service cost	1 410 336	1 556 236
Interest cost	3 143 476	2 680 553
Actuarial (gains)/losses	(155 761)	1 427 756
Paid out to current members	(1 042 273)	(943 929)
	<b>3 355 778</b>	<b>4 720 616</b>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(155 761)	1 427 756
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#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Long service awards	8.52 %	8.64 %
General salary inflation (Long Term)	6.34 %	7.29 %
Nett effective discount rate - Long service awards	2.05 %	1.26 %
Discount rate used: Post employment benefits	9.57 %	9.01 %
Health care inflation rate	7.85 %	8.13 %
Net effective discount rate - Post employment benefits	1.59 %	0.82 %

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	5 430 700	5 034 600

Amounts disclosed span the total information available as the municipality applied the GRAP standard only from 2012 annual financial statements. Future periods will include all further information as it ages.

	June 2017 R	June 2016 R	June 2015 R	June 2014 R	June 2013 R
Defined benefit obligation	38 840 103	35 484 327	30 763 371	28 168 340	24 917 233
Experience adjustments on plan liabilities	(4 795 000)	(1 933 000)	(363 000)	(1 258 817)	(1 444 000)

### 8. Deposit (Security held in advance)

A security deposit is held by Eskom who is the bulk electricity supplier to the municipality. The Municipality occasionally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance. The amount equals approximately twice the monthly account and will be held until the service is no longer required.

#### Eskom Deposits

Account payable security	11 932 253	11 403 658
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### 9. Inventories

Consumables	3 202 151	3 397 502
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#### 9.1 Consumables expenses

##### Statement of Financial Position

Opening stock	3 397 502	2 636 339
Add: Purchases	8 229 582	8 577 485
Less: Consumed	(8 424 933)	(7 816 322)
<b>Closing stock</b>	<b>3 202 151</b>	<b>3 397 502</b>

##### Statement of Financial Performance

Consumables used	5 080 508	4 658 855
(Gains)/losses on inventory	5 139	(20 853)
<b>Inventories recognised as an expense during the year</b>	<b>5 085 647</b>	<b>4 638 003</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>10. Receivables from exchange transactions</b>		
Trade debtors	832 196	1 872 629
Housing debtors	-	208 878
Recoverable fruitless and wasteful expenditure	712 382	1 516 501
	<b>1 544 578</b>	<b>3 598 008</b>
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.		
The maximum exposure to credit risk at the reporting date is the fair value of each class of debtors above. The municipality does not hold any collateral as security.		
<b>11. Receivables from non-exchange transactions</b>		
Fines	69 371 820	21 206 181
Less: Provision for irrecoverable debt and fair value adjustment	(49 824 091)	(17 215 293)
	<b>19 547 729</b>	<b>3 990 888</b>
<b>12. VAT receivable</b>		
VAT	21 742 970	11 514 853
The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.		
Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.		
<b>13. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	20 827 726	45 761 999
Electricity	11 991 487	11 404 957
Refuse	2 570 683	1 938 718
Other	12 791 592	14 902 449
	<b>48 181 488</b>	<b>74 008 123</b>
<b>Less: Allowance for impairment</b>		
Rates	(11 432 623)	(21 177 108)
Electricity	(3 437 521)	(3 030 334)
Refuse	(1 327 999)	(1 155 499)
Other	(11 347 296)	(13 663 276)
	<b>(27 545 439)</b>	<b>(39 026 217)</b>
<b>Net balance</b>		
Rates	9 395 103	24 584 891
Electricity	8 553 966	8 374 623
Refuse	1 242 684	783 219
Other	1 444 296	1 239 173
	<b>20 636 049</b>	<b>34 981 906</b>



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>Rates - Consisting of Non Exchange Transactions</b>		
Current (0 -30 days)	3 985 933	19 105 176
31 - 60 days	792 950	981 604
61 - 90 days	555 189	774 547
91 - 120 days	522 094	683 555
121 - 365 days	3 455 791	7 197 142
> 365 days	11 515 768	17 019 975
	<b>20 827 725</b>	<b>45 761 999</b>
<b>Electricity - Consisting of Exchange Transactions</b>		
Current (0 -30 days)	5 582 773	5 026 791
31 - 60 days	1 984 050	1 483 975
61 - 90 days	412 297	722 236
91 - 120 days	281 062	349 069
121 - 365 days	1 982 889	2 001 571
> 365 days	1 748 416	1 821 315
	<b>11 991 487</b>	<b>11 404 957</b>
<b>Refuse - Consisting of Exchange Transactions</b>		
Current (0 -30 days)	477 313	296 742
31 - 60 days	167 466	126 636
61 - 90 days	93 592	54 800
91 - 120 days	78 382	42 734
121 - 365 days	451 286	260 496
> 365 days	1 302 644	1 157 310
	<b>2 570 683</b>	<b>1 938 718</b>
<b>Other - Consisting of Non Exchange Transactions</b>		
Current (0 -30 days)	3 888 163	1 292 646
31 - 60 days	592 311	973 789
61 - 90 days	416 180	568 676
91 - 120 days	444 203	648 777
121 - 365 days	2 173 560	5 299 997
> 365 days	5 277 174	6 118 564
	<b>12 791 592</b>	<b>14 902 449</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	11 019 345	13 379 729
31 - 60 days	2 820 708	1 650 852
61 - 90 days	1 065 243	928 858
91 - 120 days	928 807	755 340
121 - 365 days	4 909 043	5 393 386
> 365 days	13 990 090	16 659 741
	<hr/>	<hr/>
	34 733 236	38 767 906
Less: Allowance for impairment	(16 002 995)	(17 972 789)
	<hr/>	<hr/>
	<b>18 730 241</b>	<b>20 795 117</b>
<b>Industrial/ commercial / agricultural</b>		
Current (0 -30 days)	2 467 146	4 116 583
31 - 60 days	436 560	1 316 671
61 - 90 days	408 367	814 716
91 - 120 days	405 772	630 682
121 - 365 days	2 651 601	5 284 293
> 365 days	5 465 459	7 337 092
	<hr/>	<hr/>
	11 834 905	19 500 037
Less: Allowance for impairment	(11 048 854)	(13 853 677)
	<hr/>	<hr/>
	<b>786 051</b>	<b>5 646 360</b>
<b>National, provincial and other government organisations</b>		
Current (0 -30 days)	447 690	981 727
31 - 60 days	279 510	598 481
61 - 90 days	3 649	376 684
91 - 120 days	(8 838)	338 114
121 - 365 days	502 882	1 727 272
> 365 days	388 454	1 978 604
	<hr/>	<hr/>
	1 613 347	6 000 882
Less: Allowance for impairment	(493 590)	(3 067 095)
	<hr/>	<hr/>
	<b>1 119 757</b>	<b>2 933 787</b>
<b>Total</b>		
Residential and Other	36 617 037	42 900 565
Commercial / industrial / agricultural	9 951 104	19 500 037
National, Provincial and other government organisations	1 613 348	6 000 882
In Advance	-	5 606 639
	<hr/>	<hr/>
	48 181 489	74 008 123
Less: Allowance for impairment	(27 545 440)	(39 026 217)
	<hr/>	<hr/>
	<b>20 636 049</b>	<b>34 981 906</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(39 026 218)	(31 172 771)
Contributions to provision	11 480 779	(7 853 446)
	<hr/>	<hr/>
	<b>(27 545 439)</b>	<b>(39 026 217)</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### Consumer debtors impaired

As of 30 June 2017, consumer debtors of R 48 181 499 (2016: R 74 008 123) were impaired and provided for.

During the year consumer debtors amounting to **R 23 082 118.9** was written off as bad debts.

The amount of the provision was R 27 545 439 as of 30 June 2017 (2016: R 39 026 217). The basis of the calculation of debt impairment is based on the risk assessment required in terms of GRAP 19.

### Consumer debtors breakdown

During the year it was decided that consumer debtors be consolidated in the Statement of Financial Position and a breakdown to show Consumer debtors - From Exchange Transactions and Consumer debtors - From Non- Exchange Transactions be disclosed in the note below.

The carrying amount of consumer debtors consist of the following:

Consumer debtors from non-exchange transactions	9 395 103	25 824 067
Consumer debtors from exchange transactions	11 240 946	9 157 839
<b>Total</b>	<b>20 636 049</b>	<b>34 981 906</b>

### 14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(125)	(215)
Bank balances	20 944 202	11 965 440
	<b>20 944 077</b>	<b>11 965 225</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
ABSA Bank Limited Call Account (Acc no 4068316809)	-	632 032	-	635 377
ABSA Bank Limited MIG Call Account (Acc no 4087013143)	-	740 519	-	744 375
ABSA BANK - Cheque Account (Acc no 900000049)	-	4 917 116	-	4 683 308
Nedbank Limited: 90 Day Notice Deposit (Acc No 03/7881068264)	-	5 519 626	-	5 506 696
VBS Mutual Bank - 32 Day Notice Group - 100-6277-2004	15 631 027	-	15 432 763	-
Nedbank Limited: Cheque Account (Acc no 1137278765)	4 175 411	-	5 287 700	-
<b>Total</b>	<b>19 806 438</b>	<b>11 809 293</b>	<b>20 720 463</b>	<b>11 569 756</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>15. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	7 267 085	9 595 855
- in second to fifth year inclusive	-	7 267 085
	<hr/>	<hr/>
	7 267 085	16 862 940
less: future finance charges	(367 208)	(1 793 356)
<b>Present value of minimum lease payments</b>	<hr/> <b>6 899 877</b>	<hr/> <b>15 069 584</b>
 Non-current liabilities	 -	 6 899 877
Current liabilities	6 899 877	8 169 707
	<hr/> <b>6 899 877</b>	<hr/> <b>15 069 584</b>

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The lease term is 3 years and the average effective borrowing rate was linked to prime rates. The lease commenced on the 30th April 2015.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

## 16. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

### Unspent conditional grants and receipts

Land Affairs Grant	466 250	466 250
Integrated National Electrification Programme (Municipal Grant)	189 434	1 108 473
Municipal Infrastructure Grant	16 299 885	-
	<hr/> <b>16 955 569</b>	<hr/> <b>1 574 723</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>17. Deferred income</b>		
<b>Designated at amortised cost</b>		
Deferred income	3 859 649	4 052 632
<b>Designated at amortised cost</b>		
Deferred income	192 982	192 982
<p>The municipality received R 5 500 000 in advance for the market related lease of a business property. As part of the lease agreement these payments are amortised over the period of the lease agreement. No escalation is applicable on the lease and the lease payments are amortised utilising the straight line method. The lease amounts to R 192 982 per annum excluding VAT (value added tax).</p>		
<b>Non-current liabilities</b>		
Deferred income	3 859 649	4 052 632
<b>Current liabilities</b>		
Deferred income	192 982	192 982

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 18. Provisions

#### Reconciliation of provisions - June 2017

	Opening Balance	Current Service Cost	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation - Landfill	46 522 788	10 202	-	930 455	-	47 463 445
Provision for Long Service Leave Bonus	4 509 478	571 500	(618 551)	366 892	(277 738)	4 551 581
	<b>51 032 266</b>	<b>581 702</b>	<b>(618 551)</b>	<b>1 297 347</b>	<b>(277 738)</b>	<b>52 015 026</b>

#### Reconciliation of provisions - June 2016

	Opening Balance	Current Service Cost Restated	Benefit Vested	Interest Cost	Actuarial Loss / (Gain) Restated	Total
Environmental rehabilitation - Landfill	41 863 989	3 885 575	-	773 224	-	46 522 788
Provision for Long Service Leave Bonus	4 074 011	489 934	(503 953)	302 676	146 810	4 509 478
	<b>45 938 000</b>	<b>4 375 509</b>	<b>(503 953)</b>	<b>1 075 900</b>	<b>146 810</b>	<b>51 032 266</b>

Non Current Portion Landfill site provision	44 516 214	45 592 332
Current Portion Landfill site provision	2 947 231	930 456
Non-current portion of long service leave provision	4 218 110	3 976 430
Current portion of long service leave provision	333 471	533 048
	<b>52 015 026</b>	<b>51 032 266</b>

#### Employee benefit cost provision

An actuarial valuation was performed on the long service bonus awards - current and non current - liability for the purpose of reporting under the statement of Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standards 19 (IAS 19) was performed.

In terms of the basic conditions of employment long service accumulated leave must be wholly or partially converted to payment on the date on which the employee qualifies for it or at any stage thereafter subject to budget provisions.

Detailed assumptions are disclosed under note 7

#### Environmental rehabilitation provision

An actuarial valuation was performed on the environmental rehabilitation - current and non current - liability. The municipality appointed Messers One Pangaea Financial as actuaries to perform the rehabilitation review and estimation for the 2017 financial year. The appropriate procedures were followed to ensure that the provision is appropriate for the landfill sites operated.

### 19. Payables from exchange transactions

Trade payables	34 760 097	19 595 399
Payments received in advanced Consumer Accounts	6 446 403	5 606 039
Accrued leave pay	11 875 952	11 047 962
Accrued bonus	3 419 662	2 747 112
Retention Creditors	8 592 974	14 064 652
	<b>65 095 088</b>	<b>53 061 164</b>

### 20. Consumer deposits

Electricity	5 633 383	5 612 611
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The deposit relates to the guarantees or amounts paid by consumers on initial connection to municipal services. The deposit will be used to settle the debt in case of disconnection of services or payment default by the customer.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>21. Revenue</b>		
Fines, Penalties and Forfeits	50 884 525	2 412 594
Government grants & subsidies	282 035 154	293 840 422
Interest received	9 358 203	10 162 645
Licences and permits	5 255 414	4 256 501
Other income	6 976 694	745 883
Property rates	25 814 661	28 280 202
Recoveries	1 121 410	855 425
Rental of facilities and equipment	1 318 716	1 412 843
Service charges	77 250 735	69 587 523
	<b>460 015 512</b>	<b>411 554 038</b>
Interest received - investment	9 358 203	10 162 645
Licences and permits	5 255 414	4 256 501
Other income	6 976 694	745 883
Recoveries	1 121 410	855 425
Rental of facilities and equipment	1 318 716	1 412 843
Service charges	77 250 735	69 587 523
<b>The amount included in revenue arising from exchanges of goods or services are shown above:</b>	<b>101 281 172</b>	<b>87 020 820</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	25 814 661	28 280 202
	-	-
<b>Transfer revenue</b>		
Government grants & subsidies	282 035 154	293 840 422
Fines, Penalties and Forfeits	50 884 525	2 412 594
	<b>358 734 340</b>	<b>324 533 218</b>
<b>22. Service charges</b>		
Sale of electricity	70 744 781	65 903 934
Refuse removal	6 505 954	3 683 589
	<b>77 250 735</b>	<b>69 587 523</b>
<b>23. Other revenue</b>		
Recovery of fruitless and wasteful expenditure	1 121 410	855 425
Other income	6 976 694	745 883
	<b>8 098 104</b>	<b>1 601 308</b>
<b>24. Investment revenue</b>		
<b>Interest revenue</b>		
Bank and investments	2 889 230	3 633 200
Interest charged on trade and other receivables	6 468 973	5 872 341
Interest received on Eskom deposits	-	657 104
	<b>9 358 203</b>	<b>10 162 645</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 25. Property rates

#### Rates received

Rates levied	34 382 559	34 546 732
Less: Income forgone (Property rates rebates)	(8 567 898)	(6 266 530)
	<b>25 814 661</b>	<b>28 280 202</b>

#### Valuations

Residential	2 079 180 990	1 979 249 192
Commercial	870 856 000	850 751 264
State	86 949 000	56 245 045
Municipal	1 458 710 780	1 202 538 134
Small holdings and farms	3 363 006 440	3 194 309 145
Social	57 468 100	33 257 240
	<b>7 916 171 310</b>	<b>7 316 350 020</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general Supplementary roll was implemented on 1 July 2014.

The municipality is billing 11430 properties at zero tariff, the properties are classified as per attached Annexure A. The 8828 properties are unknown according to the Windeed records and the municipality Valuation Roll therefore the municipality will not bill such properties according to the Municipal Property Rates Act. The municipality is charging 156 properties at zero rate as they correctly belong EMLM. The 1385 and 7 properties in Elandoorring B and A respectively comprise of the RDP houses build on the National public work ERF which is awaiting transfer to the rightful beneficiaries. The note should be taken that Elandsdoring B is not yet proclaimed as such charging the property rates will still be expted by the MPRA. Noting that Hlogotlou and Motetema are proclaimed and under normal circumstances the municipality is expected to charged property rates, the municipality will undertake the investigation and eventually correct the ownership thereof.

#### Notes:

- 1 Mpumalanga Province, Nkangala District
- 2 Land belongs to Magoshi
- 3 National Public Works and the property is under Mpumalanga Province
- 4 Land belongs to Magoshi
- 5 Land belongs to Magoshi
- 6 Land belongs to Magoshi
- 7 Land belongs to Magoshi
- 8 The properties are in old Township area were no Title Deeds are never issued
- 9 Land belongs to Magoshi

Area	Total properties	Total Search	Owner identified	Owners not identified	Notes
Dennilton	30.00	30.00	30.00		
Motetema	76.00	74.00		76.00	
Elandsdoring A	106.00	106.00		106.00	
Elandsdoring B	1337.00	22.00	1315.00	22.00	
Elandsdoring E	75.00	75.00		75.00	
Elandsdoring C	196.00	196.00		196.00	
<b>Total</b>	<b>1714.00</b>	<b>399.00</b>	<b>1315.00</b>	<b>399.00</b>	



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand		2017		2016	
Hlogotlou 1		188.00		188.00	
Hlogotlou 2		201.00	106.00	95.00	
Hlogotlou 3		199.00		199.00	
<b>Total</b>	1504.00	588.00	106.00	482.00	
Laersdrift	198.00	198.00	198.00		<b>1</b>
Uitspanning 1	46.00				<b>2</b>
Uitspanning 2	187.00	188.00			
<b>Total</b>	<b>431.00</b>	<b>386.00</b>	<b>198.00</b>		
Waterval 1		195.00	195.00		
Waterval 2		215.00	215.00		
Waterval 3		196.00	196.00		
Waterval 4		198.00	198.00		
Waterval 5		164.00	164.00		
<b>Total</b>	<b>968.00</b>	<b>968.00</b>	<b>968.00</b>		<b>3</b>
Groblersdal	46.00	1.00	45.00	1.00	
Zaaiplaas_85	934.00				<b>4</b>
Zondasfontein_86	1493.00				<b>5</b>
Kwa Ngolovane_35	1372.00				<b>6</b>
Farms_90	3.00	3.00	1.00	2.00	
Phucukani	1026.00				<b>7</b>
Roosenekal	12.00	12.00	7.00	5.00	
Elandoorn	902.00				<b>8</b>
Elanddorn B	761.00				<b>9</b>
<b>Total</b>	<b>1663.00</b>				
<b>Summary</b>					
	4 886.00	16.00	53.00	8.00	
	106.00	104.00	30.00	76.00	
	6 280.00	2 341.00	2 587.00	881.00	
<b>Total</b>	<b>11 272.00</b>	<b>2 461.00</b>	<b>2 670.00</b>	<b>965.00</b>	

<b>TOTAL NUMBER OF PROPERTIES</b>	<b>11 272</b>
OWNERS IDENTIFIED	2 670
UNREGISTERED OWNERS	965
PROPERTIES/LAND BELOGING TO MAKGOSHI	5632
R26 TOWNSHIP, TITLE DEED N/A BY LAW	902
MPUMALANGA PROPERTIES	1103

### 26. Grants and subsidies paid

#### Expenditure on specific conditional grants received

Electricity Subsidies

707 968

313 378

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 27. Government grants and subsidies

#### Operating grants

Equitable share	210 385 000	212 959 000
Local Government Financial Management Grant	1 625 000	1 600 000
Municipal Systems Improvement Grant	-	930 000
Expanded Public Works Programme Integrated Grant for Municipalities	1 095 000	1 163 000
	<b>213 105 000</b>	<b>216 652 000</b>

#### Capital grants

Municipal Infrastructure Grant (MIG)	56 119 115	67 188 422
Integrated National Electrification Programme Grant (INEP)	12 811 039	10 000 000
	<b>68 930 154</b>	<b>77 188 422</b>
	<b>282 035 154</b>	<b>293 840 422</b>

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	14 637 422
Current-year receipts	72 419 000	53 102 000
Conditions met - transferred to revenue	(56 119 115)	(67 188 422)
Amount paid back to NRF	-	(551 000)
Conditions still to be met - transferred to liabilities	(16 299 885)	-
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).

#### Financial Management Grant (FMG)

Current-year receipts	1 625 000	1 600 000
Conditions met - transferred to revenue	(1 625 000)	(1 600 000)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

#### Municipal Systems Improvement Grant

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>Land Affairs Grant</b>		
Balance unspent at beginning of year	466 250	466 250
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
<b>DME-Integrated national Electrification Programme Grant</b>		
Balance unspent at beginning of year	1 108 473	1 108 473
Current-year receipts	13 000 000	10 000 000
Conditions met - transferred to revenue	(12 811 512)	(10 000 000)
Amount paid back to NRF	(1 108 473)	-
Conditions still to be met - transferred to liabilities	189 434	(1 108 473)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)</b>		
Current-year receipts	1 095 000	1 163 000
Conditions met - transferred to revenue	(1 095 000)	(1 163 000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>28. Employee related costs</b>		
Acting allowances	413 672	140 494
Basic	67 261 174	62 896 989
Bonus	5 316 590	4 882 719
Defined contribution plans	13 335 828	11 708 117
Housing benefits and allowances	151 996	136 931
Provision for Leave and bonus pay	2 520 763	2 891 857
Long-term benefits - incentive scheme	3 143 476	1 039 124
Medical aid - company contributions	4 097 808	3 477 681
Directors' remuneration as disclosed below	6 806 505	6 709 582
Overtime payments	3 362 096	3 085 191
Post Employment Medical Aid Benefits and Long Service Leave - Current Service Charge	1 737 520	1 542 217
Post Employment Medical Aid Benefits and Long Service Leave - Interest Charge	366 892	2 983 229
SDL	901 068	818 213
Travel, motor car, accommodation, subsistence and other allowances	7 778 720	5 437 455
UIF	554 034	524 917
WCA	32 594	30 890
	<b>117 780 736</b>	<b>108 305 606</b>

Not Included in the above balances is (unless stated otherwise) the remuneration for the following S55 and S56 municipal employees:

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### Remuneration of Municipal Manager (Ms RM Maredi)

Annual Remuneration	958 307	44 667
Backpay	22 113	821 675
Car Allowance	120 000	120 000
Cell Phone Allowance	4 800	-
Contributions to Medical and Pension	71 686	61 626
Contribution to UIF and SDL	12 993	11 749
Annual Bonus	81 364	65 718
Contribution to Bargaining Council	92	87
NPA	30 000	30 000
	<b>1 301 355</b>	<b>1 155 522</b>

### Director Planning and Development (Mr NW Phala)

Annual Remuneration	892 166	872 126
Car Allowance	120 000	120 000
MGF	66 912	-
Contributions to Pension Funds	-	65 410
Annual Bonus	18 640	-
Contribution to Bargaining Council	92	87
Contribution to UIF and SDL	11 192	10 812
Back Pay	924	-
	-	110
	<b>1 109 926</b>	<b>1 068 545</b>

### Remuneration of Chief Financial officer from (Mr PG Mapheto)

Annual Remuneration	821 004	320 486
Car Allowance	120 000	60 000
Contributions to Medical and Pension Funds	16 342	9 416
Contribution to UIF and SDL	10 881	4 429
Backpay	28 106	-
Contribution to Bargaining Council	92	44
MGF	61 635	24 279
Acting Allowance	9 893	-
	<b>1 067 953</b>	<b>418 654</b>

### Remuneration of Acting Chief Financial Officer

Mr MP Mthimunya (30 May 2016 - 7 June 2016)	-	160 921
Mr ML Sebelemetja (22 May 2017 - 2 June 2017)	26 655	-
Mr B Mohlamme (7 December 2015 - 23 December 2015)	-	17 869
	<b>26 655</b>	<b>178 790</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>Remuneration of Director of Community Services (Ms GE Kegopotsemang)</b>		
Annual Remuneration	781 117	608 367
Backpay	17 312	81 716
Car Allowance	60 000	60 000
Contributions to Medical and Pension Funds	35 857	31 745
Other	42 951	440
Contribution to UIF and SDL	10 427	9 090
Contribution to Bargaining Council	92	87
NFMW	38 954	42 233
	<b>986 710</b>	<b>833 678</b>
<b>Remuneration of Acting Directors Community Services</b>		
Mr MM Mokganyetji (01 March 2016 - 28 May 2016)	-	4 004
Mr C Coetzee (12 June 2017 - 30 June 2017)	5 825	-
	<b>5 825</b>	<b>4 004</b>
<b>Remuneration of Director of Corporate Services (Mr A Mayimele)</b>		
Annual Remuneration	756 288	559 528
Backpay	19 477	76 607
Car Allowance	145 452	133 331
Contributions to Medical and Pension	38 167	32 319
Travelling and Subsistence	-	1 350
Contribution to UIF and SDL	10 520	9 071
Contribution to Bargaining Council	92	80
NFMW	56 721	48 228
	<b>1 026 717</b>	<b>860 514</b>
<b>Remuneration of Acting Directors Corporate Services</b>		
Mr L Mafiri (01 March 2016 - 28 May 2016)	-	29 365
<b>Director Infrastructure from July 2015 to January 2016 (Ms. RF Morudu)</b>		
Annual Remuneration	-	391 628
Car Allowance	-	116 632
Termination pmt - leave	-	70 199
Contribution to UIF and SDL	-	6 770
Annual Bonus	-	47 178
Contribution to Bargaining Council	-	51
MEPF	-	70 493
	-	<b>702 951</b>
<b>Remuneration of Acting Director Infrastructure</b>		
Mr KK Mametsa (28 February 2017 - 28 May 2017) and (01 February 2016 - 30 April 2016)	55 634	90 859
Mr FM Debeila (1 September 2016 - 30 November 2016)	222 251	-
	<b>277 885</b>	<b>90 859</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>Director Strategic Management ( Mr MM Kgwale)</b>		
Annual Remuneration	752 396	831 156
Car Allowance	91 661	108 000
Travel and subsistence	-	2 020
Backpay	33 124	-
Annual Bonus	100 567	69 263
MGF	55 183	62 337
Contributions to UIF and SDL	10 886	11 029
Other	20 785	-
Contribution to Bargaining Council	77	87
	<b>1 064 679</b>	<b>1 083 892</b>

### Remuneration of Acting Director Planning and Development

Mr BO Sethojoa (7 December 2015 - 23 December 2015)	-	30 793
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### 29. Remuneration of councillors

Mayor	813 396	792 807
Speaker	715 996	659 629
Executive Committee Councillors	4 371 408	3 967 522
Ordinary Councillors	13 791 123	13 463 861
Chief Whip	625 440	602 860
Cellphone allowances - To be recovered	-	(426 110)
	<b>20 317 363</b>	<b>19 060 569</b>

### In-kind benefits

The Mayor, Speaker, Chief Whip and three full time Exco councillors and seven part time Exco councillors. The three are provided with an office and secretarial support at the cost of the Council

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The additional disclosures as required by the Municipal Finance Management Act of 2004 as part of the MFMA disclosure note 51

### Remuneration of Mayor

Public Office Remuneration	90 000	120 000
Car Allowance	160 945	-
Basic Salary	403 945	496 691
Contributions to Medical and Pension Funds	135 318	130 504
Backpay	8 604	20 045
SDL	5 906	6 121
Other - Data, cellphone, adjustments, parking and subscriptions	8 676	19 446
	<b>813 394</b>	<b>792 807</b>

### Remuneration of Speaker

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Public Office Remuneration	90 000	120 000
Car Allowance	149 746	146 992
Basic Salary	359 882	250 416
Contributions to Medical and Pension Funds	58 929	82 795
Backpay	6 946	16 637
Subsistence Allowance	2 310	2 220
SDL	4 859	4 695
Other - Data, cellphone, adjustments, parking, subsistence allowance and subscriptions	43 322	35 874
	<b>715 994</b>	<b>659 629</b>

### Remuneration of Executive Committee

Public Office Remuneration	898 169	1 080 000
Car Allowance	1 029 036	869 094
Basic Salary	1 808 504	1 290 611
Contributions to Medical and Pension Funds	385 914	306 067
Subsistence Allowance	12 850	10 120
Other - Data, cellphone, adjustments, parking, subsistence allowance and subscriptions	158 633	279 167
Backpay	48 886	104 994
SDL	29 414	27 470
	<b>4 371 406</b>	<b>3 967 523</b>

### Remuneration of Chief Whip

Public Office Remuneration	90 000	120 000
Car Allowance	147 675	137 801
Basic Salary	266 486	221 654
Contributions to Medical and Pension Funds	89 146	83 999
Backpay	8 288	15 598
Subsistence Allowance	2 400	4 362
Other - Data, cell phone, adjustments, parking and subscriptions	21 442	19 446
	<b>625 437</b>	<b>602 860</b>

### Remuneration of Ordinary Councillors

Public Office Remuneration	3 909 589	5 742 292
Car Allowance	3 044 830	2 829 269
Basic Salary	4 195 277	2 673 652
Contributions to Medical and Pension Funds	1 231 059	770 883
Back pay	290 680	351 918
Other - Data, cell phone, adjustments, parking and subscriptions	989 345	1 000 490
Subsistence Allowance	30 090	5 390
SDL	87 583	89 968
	<b>13 778 453</b>	<b>13 463 862</b>

### 30. Finance costs

Finance leases	1 426 148	2 268 424
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Total interest expense, calculated using the effective interest rate of 11.25% on finance leases amounted to R 1 426 148 for June 2017 and (June 2016: R 2 268 424).

### 31. Debt impairment

Contributions to debt impairment consumers	(11 480 779)	5 689 355
Contributions to debt impairment trade and other receivables including fines	32 608 798	2 440 701
	<b>21 128 019</b>	<b>8 130 056</b>



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>32. Bulk purchases</b>		
Electricity	65 729 402	60 439 478
<b>33. General expenses</b>		
Advertising	735 577	507 316
Assets expensed	16 436 553	3 404 587
Auditing - Internal audit fee	693 051	1 023 948
Auditors remuneration - Office of AG	3 107 740	2 706 835
Bad debt - Sundry debtors from exchange transactions written off	43 751 209	(501 523)
Bank charges	386 363	349 165
Bursaries	18 500	181 201
Community services - developmental and outreach programmes	1 147 869	2 204 875
Conferences and seminars	1 014 171	6 195 974
Consulting and professional fees	24 628 996	23 200 560
Consumables	5 085 647	4 617 150
Electricity Water and Refuse - Municipal Consumption	6 986 393	879 125
Entertainment	1 326 651	397 191
Foreign exchange differences	22 830	-
IT expenses	5 113 289	6 504 491
Insurance	4 197 170	2 684 716
Landfill site - additional interest landfill rehabilitation provision	930 455	773 224
Motor vehicle expenses	484 775	1 206 618
Operation of landfill site	2 745 469	4 180 897
Postage and courier	177 751	244 067
Printing and stationery	2 385 849	5 141 024
Remuneration to Ward Committees	2 427 400	3 528 000
Security (Guarding of municipal property)	10 217 743	8 939 657
Staff welfare	2 289 294	2 023 367
Subscriptions and membership fees	1 934 940	1 268 769
Telephone and fax	5 662 824	3 755 778
Town planning - Valuation costs	3 411 645	1 649 200
Training	872 373	652 171
Travel - Subsistence reimbursement	4 185 999	4 426 877
Uniforms	549 061	21 570
	<b>152 927 587</b>	<b>92 166 830</b>
<b>34. Auditors' remuneration</b>		
Audit Fees as disclosed under General Expenses	3 107 740	2 706 835
<b>35. Operating lease Income</b>		
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	679 819	805 917
- in second to fifth year inclusive	1 591 736	2 304 911
- later than five years	300 327	183 093
	<b>2 571 882</b>	<b>3 293 921</b>
Revenue for the year included Rental income from facilities and equipment	1 318 716	1 412 843.74

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>36. Operating (deficit)/surplus</b>		
Operating (deficit)/surplus for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Plant and equipment		
• Contractual amounts	3 686 367	2 406 284
Lease rentals on operating lease - Other		
• Contractual amounts	3 944 603	5 969 523
	<b>7 630 970</b>	<b>8 375 807</b>
Loss on sale of property plant and equipment	(3 360 415)	(3 789 937)
Impairment on property, plant and equipment	4 041 316	402 926
Depreciation on property, plant and equipment	47 997 651	53 859 408
Employee costs	138 078 594	127 366 175
<b>37. Cash generated from operations</b>		
Surplus/(deficit)	(36 060 149)	40 207 860
<b>Adjustments for:</b>		
Depreciation and amortisation	47 997 651	53 859 408
Loss/(Gain) on sale of assets and liabilities	3 360 415	3 789 937
Movements Landfill provision	10 202	3 885 575
Investment property fair value adjustment	40 411 043	(2 671 345)
Fair value adjustments - actuarial gains and losses	(433 499)	2 012 059
Bad Debts	41 785 403	(501 523)
Assets expensed - non cash donations	16 200 778	-
Impairment deficit	4 041 316	402 926
Debt impairment	21 128 019	8 152 350
Landfill site - additional interest landfill rehabilitation provision	930 455	773 224
Movements in retirement benefit assets and liabilities	3 511 539	3 292 860
Movements in provisions	319 842	(148 836)
Deferred Income movement	(192 983)	(192 983)
<b>Changes in working capital:</b>		
Inventories	195 351	(761 860)
Receivables from exchange transactions	2 053 437	(397 826)
Consumer debtors	(15 958 768)	(19 530 852)
Receivables from non-exchange transactions	(48 165 639)	(1 257 496)
Payables from exchange transactions	12 033 923	9 638 156
VAT	(10 228 117)	16 744 952
Unspent conditional grants and receipts	15 380 846	(14 637 422)
Consumer deposits	20 772	81 265
	<b>98 341 837</b>	<b>102 740 429</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 38. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	28 242 196	20 389 781
---------------------------------	------------	------------

##### Total capital commitments

Already contracted for but not provided for	28 242 196	20 389 781
---	------------	------------

##### Total commitments

##### Total commitments

Authorised capital expenditure	28 242 196	20 389 781
--------------------------------	------------	------------

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

#### Finance leases - as lessee (expense)

Finance lease payments represent rentals payable by the municipality for its fleet. These rentals are negotiated for a three year term. No contingent rent is payable.

##### Minimum lease payments due

- within one year	7 267 085	9 595 855
- in second to fifth year inclusive	-	7 267 085
	<b>7 267 085</b>	<b>16 862 940</b>

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	3 213 476	7 610 120
- in second to fifth year inclusive	-	2 348 223
- later than five years	-	587 056
	<b>3 213 476</b>	<b>10 545 399</b>

Operating lease payments represent rentals payable by the municipality for leased assets used in the day to day operations of the municipality. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 39. Contingent Liabilities

Litigation is in the process against the municipality relating to disputes with employees, members of the public and contractors/suppliers rendered services and goods to the municipality and is seeking damages of R 23 364 508.17 (2017), R11 601 217 (2016), R0 (2015), R4 476 429 (2014) and R 3 454 434 (2013).

The litigation matters for the year under review are detailed below as follows:

#### **Maboe Rachidi**

Claim for damages for contumelies, assault and loss of dignity. Total estimated claim is : R 191 399.00

#### **EMS Envirotel Energy Management (Pty) Ltd**

The plaintiff is suing the municipality for damages as a result of breach of contract, the total estimated claim is : R 19 170 143

#### **Oupa Nkosi**

The plaintiff claim for damages caused on his motor vehicle during the impounding, the total estimated claim is : R 81 887.85

#### **Mtema Mashao Consulting Engineers (Pty) Ltd**

The plaintiff is suing the municipality for loss of income and unpaid invoices for services rendered, the total estimated claim is : R198 000

#### **Mogotleng Kgaphane vs the Municipality and Department of Water and Sanitation**

The plaintiff is suing the municipality for injuries sustained after he fell into an unprotected pit hole left by the municipality, the total estimated claim is : R 500 000

#### **Rekhuditse Construction and Cleaning Services (Pty) Ltd**

The plaintiff is suing the municipality for loss of income and unpaid invoices for services rendered, the total estimated claim is : R1 632 252

#### **S.A Thekiso Investment, Ezikapaul Construction and Sekunjalo Electric and Building (pty) Ltd and Project Manager**

The plaintiff is suing the municipality for unpaid invoices for services rendered, the total estimated claim is : R968 172

#### **Naspoti J and M Security Solutions (Pty) Ltd**

The plaintiff is suing the municipality for unpaid invoices for services rendered, the total estimated claim is : R59 405.32

#### **Civil/Sekhukhune tvet college**

In the matter the parties are EMLM vs SEKHUKHUNE TVET COLLEGE. The matter was heard and postponed to 11th of OCTOBER 2017 : R 243 413

#### **Civil / Nurse Sibande // Bathabile Mahlangu**

In the matter the parties are EMLM vs NURSE SIBANDE // BATHABILE MAHLANGU : R 59 836

#### **Mokgotso and others**

Alleged irregular procedures, waiting for hearing date. No amount has been claimed : R 260 000.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### Contingent assets

Litigation is in progress in favour of the municipality relating to disputes with employees, members of the public and contractors/suppliers. The municipality is likely to receive an amount of R 48 358. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

Contingent asset for the year under review are detailed below as follows:

#### Thipakgolo Isaac Maditsi

The Plaintiff withdrew the action against the Municipality. Proceeding to bring Application for costs against the Plaintiff. Total estimated claim is still uncertain.

### 40. Related parties

Relationships

Remuneration of Councilors

Refer to Remuneration of Councilors note 29

#### Related party transactions

Councillors - Councillor remuneration		20 317 363	19 060 569
Post employment benefit plan for employees and/or other related parties	7	38 840 105	35 484 327
S55 and S57 Employees remuneration	28	6 867 705	6 709 582

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 41. Prior period errors

The following prior year error was identified and adjusted retrospectively:

1. Audit adjustments were omitted in the June 2016 financial statements, these adjustments are adjusted in the current year as prior period error.
2. Unauthorised, irregular, fruitless and wasteful expenditure was recovered during the year from service provider, as a result the financial statements were restated to account for the recovery.
3. Inventory was reconciled and recalculated, the resulting differences are adjusted as prior period error.
4. Assets were adjusted as a result of prior period errors as follows:

#### Investment Properties:

The 2015/16 fair value adjustment has been reduced with R6 245

#### Land:

Channel of R888 256 that does not belong to the municipality has been removed.

#### Buildings:

New assets were found upon verification and added to buildings. This resulted in an increase in the opening carry value of the 2015/16 year of R799 442. Accumulated surplus was decreased with R544 708 and the 2015/16 depreciation was increased with R44 834.

#### Infrastructure:

Channel of R9311.00 has been removed as the asset does not belong to the municipality.

Bridges and the relating roads were included in the Asset register. This resulted in an increase of R667 103 in the closing carry value of the 2015/16 financial year. The accumulated surplus was increased with R667 103. The 2015/16 depreciation increased with R154 230.

New assets were found upon field verification and added to infrastructure. This resulted in an increase in the opening carry value of the 2015/16 year of R 16 474 455. Accumulated surplus was decreased with R11 674 092.23 and the 2015/16 depreciation was increased with R1 745 042.97.

New assets were found upon GIS verification and added to infrastructure. This resulted in an increase in the opening carry value of the 2016/17 year of R40 998 125. Accumulated surplus was decreased with R43 617 144 and the 2015/16 depreciation was increased with R2 629 019.

#### Community property:

A portion of the Elandsdoorn project that has not been completed were moved back to Work in Progress which resulted in a decrease in the carry value of the 2016/17 year of R719 663.

#### Machinery and Equipment:

New assets were found upon verification. This resulted in an increase in the opening carry value of the 2016/17 year of R 138 002. Accumulated surplus was decreased with R180 019 and the 2015/16 depreciation was increased with R44 044. An asset that was previously incorrectly accounted for were corrected. This resulted in a decrease in depreciation of R430 773.

#### Furniture and Fittings:

New assets were found upon verification. This resulted in an increase in the opening carry value of the 2016/17 year of R65 669. Accumulated surplus was decreased with R82 364 and the 2015/16 depreciation was increased with R16 665.

#### Computer Equipment:

New assets were found upon verification. This resulted in an increase in the opening carry value of the 2016/17 year of R24 156. Accumulated surplus was decreased with R31 589 and the 2015/16 depreciation was increased with R7 433.

#### Transport Assets:

New assets were found upon verification. This resulted in an increase in the opening carry value of the 2016/17 year of R2 792. Accumulated surplus was decreased with R3 651 and the 2015/16 depreciation was increased with R859.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### Work in Progress:

Repairs and maintenance done on Chego to Dikgalopeng stormwater of R443 328 and project planning for a transfer station of R 442 250 was incorrectly capitalised to work in progress but should have been classified to the income statement under repairs and maintenance and Town planning respectively in the in the 2015/16 financial year.

5. During the 2016/17 financial year Stipend Ward Committee - Temp Employees was reclassified from employee costs to general expenses Remuneration to Ward Committees.

6. During the 2015/16 financial year, adjustments to bonus provision of R158 501 was captured incorrectly to long service awards bonus and Salaries bonus provision. This resulted in the balance for Long service awards provision, leave bonus provision and Salaries bonus provision expense being overstated by R 158 501.60. The current portion of the long service awards of R 533 048 was incorrectly classified under non-current portion of long service awards.

7. Repairs and maintenance done on Chego to Dikgalopeng stormwater and project planning for a transfer station was incorrectly capitalised to work in progress but should have been classified to the income statement under repairs and maintenance in the 2015/16 financial year.

The effects of correcting the errors are stated below.

8. When deferred revenue was received in cash, the Vat portion was accounted for on accrual basis. The error was corrected in the current year as a prior period adjustment with the effect of increasing output Vat payable and reducing the Value of the deferred income.

9. The municipality was billing 11430 properties at zero tariff. The 8828 properties are unknown according to the Windeed records and the municipality Valuation Roll therefore the municipality was not billing such properties according to the Municipal Property Rates Act. The municipality investigated further and and billing was done and some of the related debt was written off, The recognition of the revenue was accounted as a prior period error.

(The correction number is indicated in brackets next to the item adjusted.)

### Statement of financial position

	2017	2016
Accumulated surplus (1) + (2) + (4) +(9)	-	(68 668 855)
Property Plant and Equipment (4) + (7)	-	58 302 700
Payables from exchange transactions - Accrued bonus (6)	-	158 502
Provision for Long Service Leave Bonus (6)	-	158 502
Non-current portion of long service leave provision (6)	-	533 048
Current portion of long service leave provision (6)	-	(533 048)
Investment Property (4)	-	(6 245)
Vat receivable (1)+ (2) + (8)	-	(638 345)
Receivables from exchange transactions (2)	-	1 516 502
Inventory (3)	-	9 631
Deferred income (8)	-	594 386
Payables from exchange transactions (1)	-	(529 387)
Consumer debtors Electricity (1)	-	492 805
Consumer Deposits (1)	-	(492 805)
Consumer debtors (9)	-	9 944 084
	-	<b>841 475</b>

### Statement of Financial Performance

General Expenses - Inventory consumed (3)	-	(9 631)
Stipend Ward Committee - Temp Employees (5)	-	(3 528 000)
Remuneration to Ward Committees (5)	-	3 528 000
Property rates (9)	-	(5 885 140)
Recoveries (2)	-	(855 425)
Depreciation (4)	-	4 131 392
Repairs and maintainance (7)	-	443 328
Consulting and professional fees (1)	-	1 123 679
Bulk purchases (1)	-	78 830
Investment property fair value adjustment (1)	-	6 245
Town planning - Valuation costs (7)	-	442 250
Employees related cost - Provision for bonuses (6)	-	(317 003)
	-	<b>(841 475)</b>

# **ELIAS MOTSOLEDI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2017

## **Notes to the Annual Financial Statements**

Figures in Rand

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As a result of prior period errors, the cash flow June 2016 was restated to reflect accurate figures.



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 14, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying requirements for service delivery funding, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality is able to cover the current and future commitments from available funds at a ratio of 0.76 times from the accumulated investment balances.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	June 2017	June 2016
Receivables - From Exchange Transactions	1 619 232	3 810 318
Receivables - From Non Exchange Transactions	19 547 729	3 990 888
Consumer Debtors - From Exchange Transactions	10 218 774	19 101 923
Consumer Debtors - From Non Exchange Transactions	9 303 846	15 879 980

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 44. Events after the reporting date

There were no material non-adjusting events after the reporting period.

### 45. Unauthorised expenditure

Opening balance	53 997 955	-
Condoned by Council resolution no BT17/18-09	(53 997 955)	53 997 955
Incurred during the year	80 123 905	-
	<b>80 123 905</b>	<b>53 997 955</b>

The above June 2016 unauthorised expenditure is due to the misclassification of the depreciation to the amount of R 35 million in the appropriation statement and the difference of R 19 million is also due misclassification of expenditures per vote. The overall municipal budget is not overspent however the expenditures will be reported to Council in terms of the MFMA.

The unauthorised expenditure incurred in the current financial year relates to the bad debts impairment on consumer debtors and Traffic fines provisions which was not adequately provided for during budget allocations. The balance will be provided to Council for consideration in terms of MFMA in 2017/2018 financial year.

### 46. Fruitless and wasteful expenditure

Opening balance	11 839 600	11 614 706
Incurred during the year	625 089	224 894
	<b>12 464 689</b>	<b>11 839 600</b>

During the financial year the Council resolved in its Special Council Meeting held on the 31 August 2017 resolution number MPAC 17/18-01 to write-off the fruitless and wasteful expenditures amounting to R 9 203 570 as reported for the year ending 30 June 2016, in view of recommendations from MPAC committee in terms of Circular 68 of the MFMA. The expenditures will be removed from the financial statements on condonation by the National Treasury.

### Analysis of expenditure awaiting condonation per age classification

Current year	625 089	209 049
Prior years	11 788 480	11 578 286
	<b>12 413 569</b>	<b>11 787 335</b>

### Details of fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Interest paid on late payments	To be submitted to Council in 2017/2018	31 945
Compensation Fund Commission penalty	To be submitted to Council in 2017/2018	284 008
Legal fees paid on settlement of former CFO case	Matter still under judicial process	2 583 765
		<b>2 899 718</b>

### 47. Irregular expenditure

Opening balance - Adjusted and restated (7)	135 139 646	69 990 685
Add: Irregular Expenditure - current year (Recurring from the contractual commitments from the previous years)	64 535 003	65 148 961
	<b>199 674 649</b>	<b>135 139 646</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

During the financial year the Council resolved in its Special Council Meeting held on the 31 August 2017 resolution number MPAC 17/18-01 to write-off irregular expenditures amounting to R 134 939 000 as reported for the year ending 30 June 2016, in view of recommendations from MPAC committee in terms of Circular 68 of the MFMA. The expenditures will be removed from the financial statements on condonation by the National Treasury.

### Analysis of expenditure awaiting condonation per age classification

Current year	64 535 003	65 148 961
Prior years	135 139 646	69 990 685
	<b>199 674 649</b>	<b>135 139 646</b>

### Details of irregular expenditure current year

Opening balance		69 911 908.00	
2012 Payment on Security Services	Expenditure recoverable		811 376
2012 Excess payment on Internal Audit	Under investigation		893 149
2012 Excess payment on Electronic filling system	Under investigation		591 415
2013 Payment on Repairs and Maintenance	Under investigation		356 575
2013 Excess overtime paid	Under investigation - Restatement		44 187
2013 Excess payment on Internal Audit	Under Investigation		173 947
2013 SCM procedures not followed	Under investigation		17 939 970
2013 SCM procedures not followed	Under investigation		3 245 709
2014 SCM procedures not followed	Under investigation		25 224 038
2015 SCM procedures not followed	Under investigation		15 633 819
2015 Overpayment of Councilors cellphone	Under investigation		432 720
2015 SCM Payments made to connected persons or companies - conflict of interest	Investigated		6 603 496
SCM procedures not followed condoned by Council	Condoned during the year	(69 911 908)	(2 038 493)
2017 SCM procedures not followed	Awaiting council consideration	64 535 003	
		<b>64 535 003</b>	<b>69 911 908</b>

### 48. Additional disclosure in terms of Municipal Finance Management Act

#### Electricity distribution losses

Losses incurred - units		16 148 505	9 915 702
% loss incurred		23.000 %	14.030 %
Purchased units		(70 124 717)	(70 676 711)
Sold units		53 976 212	60 760 768
		-	-
Losses incurred - Rand value	-	21 199 619	8 330 222
% loss incurred	-	44.000 %	14.030 %
Purchased units Rand value	-	(47 450 775)	(59 374 357)
Sold units Rand value	-	68 650 395	58 541 335
	-	-	-

The above losses are as a result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non-technical losses, e.g. theft and vandalism, as a result the losses are not recoverable. The illegal electricity connection in Roosenekal contributed to the significant losses incurred in electricity distribution in 2016/2017 financial year.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### SALGA Fees

Current year subscription / fee	1 100 233	1 162 269
Amount paid - current year	(1 100 233)	(1 162 269)
	-	-

### PAYE and UIF

Current year subscription / fee	17 817 919	15 758 609
Amount paid - current year	(17 817 919)	(15 758 609)
	-	-

### Pension and Medical Aid Deductions

Current year subscription / fee	30 762 233	27 461 512
Amount paid - current year	(30 762 233)	(27 461 512)
	-	-

### VAT

VAT receivable	21 742 970	11 514 853
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VAT output payables and VAT input receivables are shown in note 12.

All VAT returns have been submitted by the due date throughout the year. The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

The following Councilors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Non Current - Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Mahlangu MD	42	372	414
Cllr Mahlangu AB	174	1 772	1 946
Cllr Maloba AM	106	1 006	1 112
Cllr Mahlase KS	68	687	755
	<b>390</b>	<b>3 837</b>	<b>4 227</b>

### 49. Deferred income

Operating lease payments received in advance	4 052 631	4 245 614
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Operating lease payment received in advance have been utilized in accordance with the Municipal Finance Management Act. Sufficient resources are set aside to ensure that the liability can be serviced in the future.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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### 50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Goods and services were procured through quotations totaling **R1 439 730.70** during the financial year under review and the process followed in procuring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The table below reflects deviations for the year.

Service Provider	Description of Goods and/or Services	Reason for Deviation	Legislation	Amount
Automotor Traffic Signal Co. (Pty) Ltd	Poles and traffic apparatus	Emergency	Section 36 of Supply Chain Management Regulations	52 497.00
Plant Machinery King	250 ah deepcycle solar batteries	Emergency	Section 36 of Supply Chain Management Regulations	47 252.80
Supa Quick	Repair of 13 tyres punctures for a grader and 2 tubes for tlb	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	8 837.24
Sollys	Repair of engine for overheating for CKJ 492 L	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	25 489.18
Supa Quick	Repair of 5 tyres punctures for a grader and consumables	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	4 213.06
Marutlwa Trading	Water bottles for the community meeting	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	45 000.00
T.M Auto Nissan	Repair of clutch and diff for BYH 674 L	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	24 727.40
Forest and Garden	Repair of lawnmower	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	74 138.00
Phil-Modi Enterprise	Unblocking of ablution block	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	30 000.00
Supa Quick	Repair of three tractor tyres and consumables	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	3 023.80
Forest and Garden	Repair of chainsaw	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	2 333.99
Forest and Garden	Replacement of tyres for lawnmower	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	1 759.92
Tamarayi Transport	Water bottles for the mayoral outreach	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	13 500.00
Mmn Engineering	Repair of vehicle engine	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	32 262.00
Mmn Engineering	Repair of vehicle engine	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	26 334.00
Mmn Engineering	Repair of vehicle diff and radiator	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	42 636.00
Digital Voice Processing	Provision for communication system at chamber	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	297 592.44
Supa Quick	Tyre repair and consumables	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	5 670.11

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Sha-Hennes Guesthouse	Accommodation bookings for fifty five officials attending saimsa sports at Mahikeng	Impractical or impossible to follow the official procurement processes	Section 36 of Supply Chain Management Regulations	232 155.00
Kdm Travel Express	Accommodation	Impractical or impossible to follow the official procurement processes	Section 36 of Supply Chain Management Regulations	8 940.00
Institute Of Municipal Finance Officers	Conference	Goods and services available from a single provider	Section 36 of Supply Chain Management Regulations	91 602.00
Chartered Institute Of Government Finance, Audit & Risk Officers	Conference	Goods and services available from a single provider	Section 36 of Supply Chain Management Regulations	28 077.25
Truvello Manufacturers	Calibration of pro lazer speed machine	Goods or services are available from a single source	Section 36 of Supply Chain Management Regulations	3 563.79
Van Schaik Bookstore	Study materials / textbook for the library	Goods or services are available from a single source	Section 36 of Supply Chain Management Regulations	3 425.40
Rotex Motor Cycles	Service of motor cycle	Goods or services are available from a single source	Section 36 of Supply Chain Management Regulations	2 251.14
Loskop Dam Forever Resort	Accommodation and two conference room for Sixty One councillors	Goods or services are available from a single provider	Section 36 of Supply Chain Management Regulations	316 373.00
Forest and Garden	Repair of lawnmower	Goods and services available from a single provider	Section 36 of Supply Chain Management Regulations	16 076.18
Cheap Cheap travel	Travel and Accommodation	Impractical or impossible to follow the official procurement proces	Section 36 of Supply Chain Management Regulations	92 263
Hlaudi Consulting	Forensic Investigation	Impractical or impossible to follow the official procurement proces	Section 36 of Supply Chain Management Regulation	686 000
Mme O Mphile Construction Services	Catering	Impractical or impossible to follow the official procurement process	Section 36 of Supply Chain Management Regulations	81 880

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### 51. Public Office Holders Remuneration

All Public Officers	Basic Salary	Backpay	Public Office Allowance	Travel Allowance	Other Receipts	Pension Fund and Medical Aid	Skills Contribution	Grand Total
Cllr JL MATHEBE (MAYOR)	403 945.35	8 604.29	90 000.00	4 236.31	165 385.22	135 318.79	5 906.38	813 396.34
Cllr MD TLADI (SPEAKER)	359 881.27	6 945.84	90 000.00	2 662.57	192 716.73	58 929.34	4 859.79	715 995.54
Cllr TM PHAHLAMOHLAKA (CHIEF WHIP)	266 486.12	8 288.15	90 000.00	3 177.13	164 038.91	89 146.88	4 302.86	625 440.05
Cllr HJ MAKUNYANE (MPAC)	250 396.24	12 665.24	70 000.00	4 855.01	152 593.34	51 208.55	3 665.12	545 383.50
Cllr R ALBERTS (EXCO MEMBER)	51 993.96	5 453.37	78 169.36	2 090.46	117 205.47	24 310.44	1 805.80	281 028.86
Cllr JP KOTZE (EXCO MEMBER)	166 484.65	4 136.34	90 000.00	1 378.78	87 926.92	-	2 856.58	352 783.27
Cllr TJ LEPOTA (EXCO MEMBER)	38 899.58	-	10 000.00	-	16 269.64	4 634.59	547.19	70 351.00
Cllr TA MACHIPA (EXCO MEMBER)	263 080.52	6 512.12	70 000.00	2 496.31	156 973.26	52 845.36	3 771.31	555 678.88
Cllr AM MALOBA (EXCO MEMBER)	111 281.01	3 596.82	90 000.00	1 378.78	87 925.90	55 204.66	2 293.84	351 681.01
Cllr EM MASEMOLA (EXCO MEMBER)	37 124.01	-	10 000.00	-	16 270.60	6 409.20	551.69	70 355.50
Cllr MS MASHILO (EXCO MEMBER)	135 208.60	3 596.82	90 000.00	1 378.78	97 721.46	31 276.11	2 260.56	361 442.33
Cllr KC SHAI (EXCO MEMBER)	120 545.47	3 596.82	80 000.00	1 378.78	86 059.68	31 276.11	2 039.90	324 896.76
Cllr GD MATJOMANE (EXCO MEMBER)	297 885.88	8 288.12	90 000.00	3 177.13	163 331.58	57 746.35	4 215.45	624 644.51
Cllr TN MMUTLE (EXCO MEMBER)	133 346.05	3 596.82	90 000.00	1 378.78	93 408.42	33 138.66	2 232.62	357 101.35
Cllr MJ MOHLALA (EXCO MEMBER)	18 229.10	-	10 000.00	-	9 260.45	2 561.15	294.77	40 345.47
Cllr A PHATLANE (EXCO MEMBER)	278 426.72	6 512.12	90 000.00	2 496.31	152 416.57	55 235.72	3 956.76	589 044.20
Cllr JJ SKOSANA (EXCO MEMBER)	20 790.25	-	10 000.00	-	9 260.45	-	333.18	40 383.88
Cllr MG PHETLA (EXCO MEMBER)	135 208.40	3 596.82	90 000.00	1 378.78	87 956.06	31 276.11	2 254.55	351 670.72
Cllr MA MPHELA	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr MZ BUTA	16 661.76	-	10 000.00	-	8 682.99	2 255.06	276.01	37 875.82
Cllr ML MAMAKOKO	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr LM MOIMA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.80	22 050.48	1 462.98	238 531.73
Cllr AM MAKWEOANE	66 119.39	5 453.37	70 000.00	2 090.46	71 355.50	22 049.73	1 462.99	238 531.44
Cllr RSA KABINIE	18 916.82	-	10 000.00	-	8 682.99	-	309.83	37 909.64
Cllr SW RATLOU	102 712.55	6 999.05	70 000.00	2 682.97	98 382.72	28 298.22	1 905.92	310 981.43
Cllr RM RATAU	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr KF MADISA	98 956.28	12 393.72	70 000.00	2 682.97	84 272.18	27 242.74	1 886.73	297 434.62
Cllr GR NAMANE	66 118.64	5 453.37	70 000.00	2 090.46	71 597.38	22 050.48	1 462.97	238 773.30
Cllr TA PHOROTLHOE	102 712.55	6 999.05	70 000.00	2 682.97	86 533.84	28 298.22	1 905.92	299 132.55
Cllr B BOGOPA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr BM ZULU	66 118.64	5 453.37	70 000.00	2 090.46	70 725.50	22 050.48	1 462.97	237 901.42
Cllr TT RATAU	66 118.64	5 453.37	70 000.00	2 090.46	72 086.90	22 050.48	1 462.97	239 262.82
Cllr MF MADIHLABA	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr P MASIMULA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr WJ SKHOSANA	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr MM MAEPA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr AB MAHLANGU	18 916.82	-	10 000.00	-	8 682.99	-	309.83	37 909.64
Cllr J MAHLANGU	69 483.26	6 940.65	90 000.00	2 660.58	76 072.66	24 136.19	1 607.14	270 900.48
Cllr GM MAKEKE	66 118.64	5 453.37	70 000.00	2 090.46	72 759.38	22 050.48	1 462.97	239 935.30
Cllr MM MATSEPE	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr EM MAPHOPHA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.01	22 050.48	1 462.97	238 530.93
Cllr MD MAHLANGU	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr NN MAHLANGU	115 720.23	6 999.05	90 000.00	2 682.97	89 574.14	30 859.37	2 132.91	337 968.67
Cllr MK MOKWANE	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr TS MAHLANGU	39 783.87	-	10 000.00	-	17 315.54	7 138.33	589.44	74 827.18
Cllr SM MAIPUSHE	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr KS MAHLASE	16 526.46	-	10 000.00	-	8 682.99	2 390.36	273.98	37 873.79
Cllr KS KGOPA	66 118.64	5 453.37	70 000.00	2 090.46	72 105.98	22 050.48	1 462.97	239 281.90
Cllr MR MSIZA	102 712.55	6 999.05	70 000.00	2 682.97	86 293.84	28 298.22	1 905.92	298 892.55
Cllr MN MALATJI	109 580.51	6 999.05	90 000.00	2 682.97	99 245.28	30 160.84	2 135.70	340 804.35
Cllr MS MALEKANE	41 364.36	-	10 000.00	-	6 898.64	1 862.62	510.72	60 636.34
Cllr DS MAMAILA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr VCP MADONDO	66 118.64	5 453.37	70 000.00	2 090.46	71 201.50	22 050.48	1 462.97	238 377.42
Cllr MS MARAPI	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MS MASELELA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr HS MASHIFANE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr WM MATEMANE	6 809.12	-	10 378.38	-	6 898.64	5 940.68	215.90	30 242.72
Cllr MT MOHLALA	65 756.29	5 453.37	70 000.00	2 090.46	73 412.42	21 996.13	1 459.85	240 168.52
Cllr SM MATHALE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr MNS OOSTHUIZEN	66 118.64	5 453.37	70 000.00	2 090.46	70 725.50	22 050.48	1 462.97	237 901.42
Cllr MP TSHIVHULA	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr MZ HLATHI	66 118.64	5 453.37	70 000.00	2 090.46	71 698.94	22 050.48	1 462.97	238 874.85
Cllr VM LECHEKO	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr SZ NGWENYA	58 314.04	5 453.37	70 000.00	2 090.46	68 133.10	20 187.86	1 375.91	225 554.74
Cllr MS MATLALA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MB NTULI	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr MT MOSOTHO	66 118.64	5 453.37	70 000.00	2 090.46	70 725.50	22 050.48	1 462.97	237 901.42
Cllr M RANALA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42

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Cllr TM NTHEKO	66 118.64	5 453.37	70 000.00	2 090.46	70 725.50	22 050.48	1 462.97	237 901.42
Cllr VL MTHOMBENI	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr RJ MAKITLA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr RN NDLOVU	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr NT MATUNYANE	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr TS MATSEPE	71 345.88	6 940.65	90 000.00	2 660.58	73 904.82	22 273.57	1 635.09	268 760.59
Cllr MP MATSHIPA	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr ST MATSOMANE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr SH MEHLAPE	85 431.39	12 393.72	78 614.66	2 682.97	108 457.53	75 564.10	2 489.55	365 633.92
Cllr CT MHLANGA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr VV MOGANEDI	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr FM MOGOTJI	78 407.22	5 453.37	90 000.00	2 090.46	75 071.07	22 050.48	1 709.52	274 782.12
Cllr MP MOKGABUDI	11 265.55	-	10 000.00	-	6 898.65	1 862.62	209.73	30 236.55
Cllr MT MOKGANYETSI	110 336.41	6 999.05	90 000.00	2 682.97	86 153.59	28 298.22	2 071.49	326 541.73
Cllr OE MOTAU	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MG MOTLAKE	51 734.41	6 940.65	90 000.00	2 660.58	82 789.52	41 885.04	1 718.01	277 728.21
Cllr DM MZINYANE	18 916.82	-	10 000.00	-	8 682.99	-	309.83	37 909.64
Cllr ME NDULI	16 526.46	-	10 000.00	-	8 682.99	2 390.36	273.98	37 873.79
Cllr SF NKOSI	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr TJ NTULI	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr ML PHALA	93 619.45	7 411.63	90 000.00	2 470.54	73 868.84	-	2 051.87	269 422.33
Cllr RJ PODILE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr SL SKOSANA	6 809.12	-	10 595.69	-	6 898.64	5 723.37	214.82	30 241.64
Cllr LH TSHOMA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MS TSHOMA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MF RAKOENA	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr MW RAMPHISA	71 568.97	5 453.37	90 000.00	2 090.46	72 791.64	22 050.48	1 622.91	265 577.83
Cllr MP MOKONE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr I MOKGOMOGANE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr NA MOTONG	13 128.18	-	10 000.00	-	6 297.64	-	231.67	29 657.49
Cllr CN MATHEBE	77 110.12	6 940.65	90 000.00	2 660.58	71 773.48	18 548.33	1 739.92	268 773.08
	<b>7 034 094.34</b>	<b>372 760.24</b>	<b>5 077 758.09</b>	<b>139 116.16</b>	<b>5 661 197.39</b>	<b>1 900 369.28</b>	<b>132 067.04</b>	<b>20 317 362.54</b>